

## Message Text

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11

ACTION AGR-08

INFO OCT-01 EA-06 ISO-00 EB-07 COME-00 TRSE-00 OMB-01

CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02 NSAE-00 NSC-05

PA-01 PRS-01 SP-02 SS-15 USIA-06 CIEP-01 STR-04 FRB-03

LAB-04 IGA-01 AID-05 /085 W  
----- 087325

P R 100335Z MAY 75

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC PRIORITY 5133

INFO AMEMBASSY BANGKOK

AMEMBASSY SEOUL

AMEMBASSY MANILA

LIMITED OFFICIAL USE TAIPEI 2573

E.O. 11652: N/A

TAGS: ETRD, TW, KS, RP, TH

SUBJECT: COTTON CONTRACT PROBLEM

STATE PASS USDA FOR DUDLEY WILLIAMS

1. QUOTE: MEMORANDUM OF UNDERSTANDING TO IMPLEMENT  
ASSURANCES OF THE GOVERNMENT OF THE REPUBLIC OF  
CHINA SIGNED BY MINISTER Y.S. SUN ON MARCH 20, 1975  
END QUOTE WAS INITIALED BY BENJAMIN LU, DIRECTOR,  
THIRD DEPARTMENT, BOARD OF FOREIGN TRADE AND  
KENNARD STEPHENS, USDA, ON MAY 10

2. KEY PROVISIONS CONTAINED PARA 2 WHICH SPECIFIES  
NEW SCHEDULE FOR OPENING OF LETTERS OF CREDIT, PARA 3  
WHICH DISCUSSES DATE OF SHIPMENT, AND PARA 6  
CONCERNING CARRYING CHARGES.

3. TEXT OF MEMORANDUM IS AS FOLLOWS: QUOTE

1. A LINE OF COMMODITY CREDIT CORPORATION  
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CREDIT TOTALING \$25 MILLION FOR THE FINANCING OF COTTON  
PURCHASES IN TAIWAN WILL BE IMMEDIATELY IMPLEMENTED  
BY A SEPARATE LETTER.

2. TO MAKE POSSIBLE ORDERLY IMPORTATION OF COTTON

AND IN VIEW OF THE DELAY IN FINALIZING THE ATTACHED ANNEX, LETTER OF CREDIT WILL BE OPENED ON CONTACTS WITHIN EACH OF THESE PERIODS ACCORDING TO THE FOLLOWING SCHEDULE:

PERIOD 1 - LETTER OF CREDIT WILL BE OPENED BY JUN 15, 1975

PERIOD 2 - LETTERS OF CREDIT WILL BE OPENED BY JULY 15, 1975

PERIODS 3 & 4 - LETTERS OF CREDIT WILL BE OPENED BY AUGUST 31, 1975

3. LETTERS OF CREDIT WILL PROVIDE FOR SHIPMENT WITHIN 60 DAYS AFTER ALL REQUIRED CONFIRMATIONS BY A U.S. BANK. DATE OF SHIPMENT WILL BE MUTUALLY AGREED BETWEEN BUYER AND SELLER WITHIN THE LIMITING DATES PROVIDED IN THE LETTER OF CREDIT. IT IS AGREED THAT THE BOARD OF FOREIGN TRADE WILL REQUIRE THAT EACH PRUCHASER ACCEPT SHIPMENT WITHIN 30 DAYS UNLESS ADDITIONAL TIME, WITHIN THE LIMITS OF THE LETTER OF CREDIT, IS REQUIRED (BY SELLER OR PURCHASER) TO EFFECT SHIPMENT. IF NECESSARY TO PERMIT TIMELY SHIPMENT, THE TAIWAN COTTON SPINNERS ASSOCIATION WILL ARRANGE CHARTERED VESSELS FOR DELIVERY OF CONTRACTED COTTON AS PROVIDED IN THE LETTER OF CRDIT.

4. IT IS UNDERSTOOD THAT REGARDLESS OF TYPE OF COTTON, EACH PURCHASER WILL OPEN LETTERS OF CREDIT WITHIN EACH PERIOD, ON THE OLDEST CONTRACT FIRST, OR SIMULTANEOUSLY ON ALL CONTRACTS IN A GIVEN PERIOD. THE BOARD OFFOREIGN TRADE WILL SO INSTRUCT EACH PURCHASER AND THE BANK OF TAIWAN.

5. THE BANK OF TAIWAN WILL OPEN ON SCHEDULE TWO SEPARATE IRREVOCABLE LETTERS OF CREDIT FOR EACH SHIPMENT.

A. THE FIRST LETTER OF CREDIT WILL COVER THE LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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FIRST 40 U.S. CENTS OF THE CONTRACT PRICE PER POUND OF COTTON SOLD. THIS LETTER OF CREDIT WILL BE DRAWN IN FAVOR OF THE U.S. EXPORTER AND WILL PROVIDE FOR PAYMENT DIRECTLY TO THE U.S. EXPORTER BY A U.S. BANK UPON SUBMISSION OF APPROPRIATE DOCUMENTS.

B. THE SECOND LETTER OF CREDIT WILL BE DRAWN IN FAVOR OF THE COMMODITY CREDIT CORPORATION, U.S. DEPARTMENT OF AGRICULTURE, AND WILL COVER THE PORTION OF THE VALUE BETWEEN 40 U.S. CENTS PER POUND AND THE CONTRACT PRICE, PLUS ANY ADDITIONAL FINANCING AS REQUIRED BY PARAGRAPHS 6B(1) AND (2) BELOW. AT LEAST 10 PERCENT OF THIS LETTER OF CREDIT MUST BE

CONFIRMED BY A U.S. BANK. THIS LETTER OF CREDIT WILL BE ON A FINANCING BASIS OF A THREE-YEAR CREDIT PERIOD WITH EQUAL ANNUAL PAYMENTS OF PRINCIPAL PLUS ACCRUED INTEREST TO BE MADE UPON DRAFTS SUBMITTED BY COMMODITY CREDIT CORPORATION ON THE U.S. CONFIRMING BANK.

6. THE ANNEX HAS BEEN PREPARED CONSISTENTLY WITH PARAGRAPHS 4 AND 5 ABOVE. IT IS COMPLETE AND AGREEABLE TO BOTH OF US IN ALL RESPECTS EXCEPT AS FOLLOWS:

A. THE VALUE EXTENSIONS OF THE AGREED UPON QUANTITIES AND UNIT PRICES ARE SUBJECT TO ADJUSTMENT FOR ERRORS IN MATHEMATICAL COMPUTATIONS.

B. THE VALUE EXTENSIONS REFLECT ONLY THE BASIC UNIT PRICE IN THE CONTRACTS. IT IS UNDERSTOOD, HOWEVER, THAT:

(1) THE LETTERS OF CREDIT WILL TOTAL AN AMOUNT SUFFICIENT TO COVER ALL OTHER CHARGES, IF ANY, SPECIFIED IN THE CONTRACT, AND

(2) WHERE CARRYING CHARGES ARE NOT SPECIFIED IN THE CONTRACT; LETTERS OF CREDIT MAY INCLUDE SUCH CHARGES IF PREVIOUSLY AGREED TO BY SELLER AND PURCHASER AND SUCH AMOUNT WILL BE ELIGIBLE FOR CC FINANCING. IF NO SUCH AGREEMENT IS REACHED BETWEEN SELLER AND PURCHASER, IT IS FURTHER UNDERSTOOD THAT NOTHING IN THE LETTER OF ASSURANCES, THE ANNEX, OR THIS MEMORANDUM SHALL BE TAKEN AS A WAIVER OF CUSTOMARY PRACTICES REGARDING CARRYING CHARGES.

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7. EACH WEEK THE BANK OF TAIWAN WILL PROVIDE COPIES OF THE LETTERS OF CREDIT OPENED THAT WEEK TO THE U.S. AGRICULTURAL ATTACHE.

8. THE U.S. AGRICULTURAL ATTACHE WILL PROVIDE THE BOARD OF FOREIGN TRADE AND THE BANK OF TAIWAN WITH THE FINANCING APPROVAL NUMBER (KNOWN AS "G.S. M. NUMBERS") AS THEY ARE ISSUED BY THE COMMODITY CREDIT CORPORATION, WASHINGTON. END QUOTE

4. VERIFIED ANNEX INITIALLED MAY 10 BY OFFICIALS OF BOARD OF FOREIGN TRADE AND SPINNERS ASSOCIATION AND BY GERON RATHELL, USDA, AND COPIES EXCHANGED. LETTER SIGNED BY DENNARD STEPHENS, USDA, IMPLEMENTING \$25 MILLION LINE OF CREDIT WAS PROVIDED TO Y.T. WONG, DIRECTOR, BOARD OF FOREIGN TRADE ON MAY 10. COPY ANNEX AND LETTER FOLLOW VIA NEXT AIR POUCH.  
POPPLE

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<< END OF DOCUMENT >>

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 26 AUG 1999  
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**Current Classification:** UNCLASSIFIED  
**Concepts:** AGREEMENTS, CONTRACTS, COTTON  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 10 MAY 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** KelleyW0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**Subject:** n/a  
**TAGS:** ETRD, KS, RP, TH, TW, (SUN, Y S)  
**To:** STATE INFO BANGKOK  
SEOUL  
MANILA  
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